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State INR Morning Summary  
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*Iran*

2. IRAN: IMPLICATIONS OF THE SHAH'S EXPECTED DEATH

The Shah has been an irrelevant factor in Iran's domestic political equation for months. Thus, his death will have no appreciable impact on the internal power struggle. It will not appease the hostages' captors but may induce them to make new demands on the hostage issue.

The Shah may have been the central issue in the days immediately following the Embassy seizure, but he rapidly ceased to be an important factor. His death now will result in some gloating comments, but not much more.

The central question that has dominated, and continues to dominate Iranian politics is: Who will inherit power following Khomeini's death. The hostages have been used as pawns by various factions (particularly the hard-line clerics and the left) to help facilitate their efforts to establish strong political positions in the post-Khomeini world. The Shah's death will not give key actors any incentive to deviate from previously stated positions. In fact, to take a more conciliatory stance on the hostage issue following his passing could be construed as an anti-revolutionary act.

Although Khomeini could use the Shah's death to move toward resolving the hostage crisis, the fear of an adverse public reaction (manipulated by the extremists) will most likely inhibit any such action. More than ever, Khomeini seems inclined to follow public opinion, rather than shape it through decisive leadership.

A Radio Tehran commentary of June 30 succinctly summed up what is probably a common Iranian view of the relationship among the US, the Shah, and the hostages:

--The Shah was a US agent.

--The hostages have the same status.

--President Carter and his administration are to blame "for the crisis" and a "court will be called to try America."

--To release the hostages and end the crisis would be an act which abandons the world's oppressed, who are "suffering from US imperialism."

President Bani-Sadr, in an interview the same day, also hinted that the Shah's death would have no positive impact on the situation. He said that the Majlis decision must be based "on a position of strength." Releasing the hostages simply because the Shah was no longer alive could be widely viewed as a capitulation to the US.

State Department review completed

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